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Capital: Tallinn

GDP per capita (PPP): \$10,000 (2000 est.)

Population: 1,423,316 (July 2001 est.)

Foreign Direct Investment: \$241,000,000

Inflation: 4.1% (1999 est.)

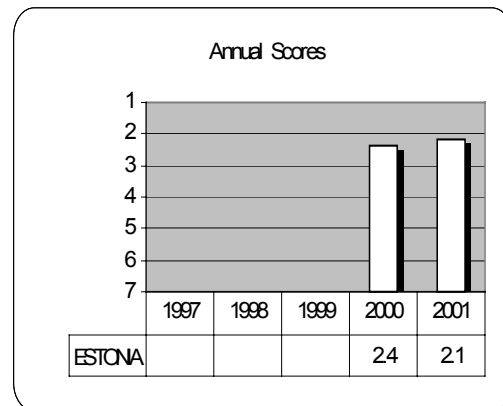
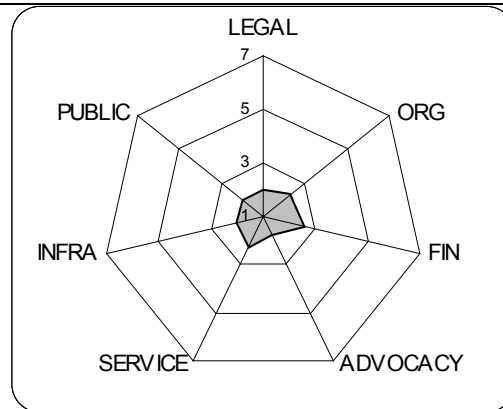
Unemployment: 11.7% (1999 est.)

OVERALL RATING: 2.1

The Estonian NGO sector currently consists of over 14,000 registered non-profit organizations active in fields including social welfare, health care, education, culture, human rights, and environmental protection. NGOs benefit from a fairly well developed legal environment that affords them easy registration, protection from government interference and limited tax benefits.

A wide gap continues to exist between the organizational capacity of NGOs in the major cities and those in rural areas. The NGO sector receives significant support from local sources, including funding from local governments and businesses, membership dues, and in-kind and volunteer support from local communities. Advocacy skills have been developed throughout the sector. In particular, NGOs in the fields of AIDS, the environment, child protection and integration of ethnic minorities have formed coalitions to effect policy change at the national and local levels. Many NGOs work to fill the gaps left by the government in the provision of services in the fields of social welfare, health, and education.

A network of nine NGO information and support centers provide consulting, training and support services to NGOs. The general public still does not have a solid understanding of the role NGOs play in society, due in part to NGOs' limited capacity to communicate with the media.



LEGAL ENVIRONMENT: 2.0

NGO registration in Estonia is relatively uncomplicated, but could be simplified for Russian NGOs by providing more information in the Russian language. Unregistered associations are allowed, and are

regulated by the Law on Contracts and Extra-Contract Obligations. Some NGOs, especially nationwide organizations, find it difficult to register new Boards due to the requirement that all members be pre

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sent at the notary at the same time.

There are two laws regulating registered organizations – the Law on Nonprofit Associations and the Law on Foundations – both of which set clear guidelines for operation. The laws preclude state control over NGOs, including government dissolution of an NGO for political or other arbitrary reasons. NGOs can operate freely under the law, are free from harassment by the central and local governments, can address matters of public debate, and express criticism. However, since Estonian legislation is in a state of constant change, NGOs are often faced with officials who themselves are not competent in interpreting the law.

There are a few lawyers in Estonia who are trained in and familiar with nonprofit law. Legal advice is available to NGOs in the capital city and, to a lesser extent, in secondary cities and in counties. NENO's

network of regional NGO support centers provides basic legal assistance for free.

The law does not encourage charitable giving – individual and corporate donors receive very limited tax deductions. Individual donors can give up to 100,000 kroons (approximately \$5,900) tax-free to certain NGOs registered with the Ministry of Finance

NGOs do not have to pay taxes on grants, but do pay all other taxes, including VAT and social taxes on employees.

The legislation allows NGOs to earn income from the provision of goods and services. The only difference between NGOs and businesses in this regard is that NGOs may not redistribute income in the form of profits. NGOs are also allowed to compete for government contracts and procurements at the local and central levels.

ORGANIZATIONAL CAPACITY: 2.3

Most NGOs do not consider constituency building important and therefore do not dedicate time or resources to such efforts.

In comparison to last year, NGOs are much more aware of the necessity of incorporating strategic planning techniques into their decision-making processes. Most NGOs have a clearly defined mission and goals. A few nationwide NGOs have long-term strategic plans and practice professional marketing and organizational development. However, most NGOs lack the skills necessary to be truly strategic and sustainable in their management and administration.

Most NGOs have a clearly defined management structure and a recognized division of responsibilities between the board and staff members. Leading NGOs have permanent and paid staff and most NGOs utilize the services of volunteers.

The distinction between the technical capacity of NGOs in the major cities and those outside of these cities is immense. Urban NGOs have access to computers and the Internet on a regular basis. Outside of the major cities, however, access to modernized office equipment is much more limited. Only 10% of NGOs have their own e-mail address and staff at some NGOs lack even basic computer skills.

FINANCIAL VIABILITY: 2.6

NGOs in Estonia raise a significant percentage of their funding from local sources. Most of them also draw upon a core of volunteer and in-kind support from their communities. Membership dues are an important part of income for some NGOs. Estonian NGOs also receive funding from local governments and local businesses provide both financial and non-monetary support. Despite the availability of all of these types of support, individual NGOs generally have few sources of funding, which prevent them from remaining viable beyond the short-term future.

Few NGOs have cultivated a loyal core of financial supporters. However, a few national organizations such as the Estonian Fund for Nature, AIDS Prevention Center, and the Estonian Union for Child Welfare, are practicing fund develop-

ment and have conducted successful outreach and constituency development programs.

More professional NGOs earn income from the delivery of products and services. Increasingly, central and local governments contract with NGOs for services. However, cooperation with businesses in this respect is not widespread.

Since there are few individual donors or private foundations in Estonia, philanthropy only exists at a very basic level. Most businesses do not see the advantages of philanthropy, as they receive few tax benefits and because they do not trust the professionalism and accountability of NGOs. Most NGOs do not have transparent and clear financial management systems.

ADVOCACY: 1.8

Communication between NGOs and policy makers is infrequent and not systematic. Although there are several ministries that have been willing to involve NGOs, they lack the skills and experience to effectively do so. NGOs are occasionally invited to participate on various government committees, but are not always able to influence public policy at the central or local levels. NGOs with resources who threaten to go public are generally taken more seriously.

As a result of training and capacity building, NGOs have become stronger and more skilled in advocacy. With international support, the Estonian Law Center comments on draft laws. The Estonian Government has launched an Internet program called *Today I Decide* which allows citizens and groups to propose new laws and initiatives. This initiative, however, requires more work.

In the field of AIDS, the environment, child protection and integration of ethnic minorities, NGOs have formed issue-based coalitions and conducted advocacy campaigns, some of which have resulted in effective policy changes at the national and local levels. For example, NGOs working with disabled people have been actively working on the Estonian Concept for Disability, which sets standard rules for creating equal opportunities for people with disabilities.

In April of 2001, NGOs submitted a Concept for the Development of Civil Society (EKAK) to the Parliament. The EKAK is a document developed by more than 2,000 members of the NGO sector over a 13-month period. The document establishes the roles of the public and the third sectors, principles for coopera-

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tion and regulatory mechanisms for the future planning of public policy and development of civil society. One of EKAK's anticipated outcomes is the development of mechanisms for NGOs to participate in the political process. During 2001, NGOs also successfully lobbied against changes in the Gambling Tax Law, while increasing public support and awareness of this issue.

A core group of NGOs has increased awareness among the wider NGO community on the role of the legal and regulatory framework in enhancing NGO effectiveness and sustainability. The same group is also promoting legal reforms to benefit philanthropy and charitable giving.

SERVICE PROVISION: 2.3

NGOs provide basic services in the fields of social welfare, health, and education. Most of these services reflect the needs and priorities of their communities, and indicate the inadequacy of government services. NGOs provide services to their members as well as to other client segments. There are very few NGOs delivering services in the areas of economic development, environmental protection, or governance and empowerment.

Although NGOs recover some costs from the provision of services, it is mostly on a break-even or below-cost basis as NGO customers are generally unable to pay for their services and products. NGOs have limited knowledge

and understanding of market demand and analysis.

Cooperation with national and local level government with respect to service provision has developed considerably over the last year. The number of contracts to NGOs to provide such services has increased, although the amount of direct grants is diminishing. This is motivated by two factors: first, the EU encourages such cooperation, and second, NGOs can often provide such services cheaper, thereby allowing budget cuts. Despite improved cooperation in this area, the government still does not fully recognize the advantages NGOs bring to the table.

INFRASTRUCTURE: 2.0

Since 2000, there has been an active network of NGO information and support centers across the country. Through an open competition, the Network of Estonian Nonprofit Organizations (NENO), with the support of the Baltic-American Partnership Program (BAPP), selected nine organizations to provide consulting, training and support services to NGOs. The program has been truly successful and the centers have become well-known and earned the trust of local NGOs. The centers also promote citizen

initiatives and volunteer activities, channel draft laws, and gather information on the development of the local third sector. NENO coordinates the network, trains the coordinators, and disseminates information among the centers.

Unfortunately, the network requires more people, technology and financial resources to fully meet the needs of local NGOs. Besides international support, the centers earn some of their operating revenue by charging fees for

services and from other locally-generated sources. However, the government has not provided any support to the network.

Through the regional NGO resource centers, NGO training has become available outside of the capital city. While a few organizations provide basic NGO training, advanced training is currently unavailable and the pool of professional local NGO management trainers is insufficient. In particular, more advanced training is needed in areas such as strategic management, accounting, financial management, fundraising, volunteer management, and board development. Although some training materials are available in local languages, there is a need for much more.

In 2000, Tallinn Pedagogical University introduced a major in nonprofit man-

agement, which has proven to be quite popular. Some other universities have also introduced courses related to non-profits into their curricula.

There are a few examples of NGOs working in partnership, either formally or informally, with local businesses, government, and the media to achieve common objectives in the fields of HIV/AIDS, integration of ethnic minorities and the environment. While NGOs are beginning to cooperate with national-level entities, such as the Ministry of Foreign Affairs, there are more successful examples at the local level.

Unfortunately, although there is awareness among the various sectors of the possibilities for and advantages of such partnerships, there is still a great deal of mistrust between the sectors and a lack of experience in cooperating.

PUBLIC IMAGE: 2.0

The general public has a very vague understanding of the role NGOs play in the society. Those who do understand have a more positive perception of the sector and are more likely to support NGO activities.

NGOs enjoy positive, but insufficient, media coverage. With international support, there are TV broadcasts on NGOs in both Estonian and Russian. In addition, *Foorum*, an 8-page insert dedicated to NGOs and citizen activities, is published in the nationwide newspaper *Postimees* on a monthly basis. With the exception of *Foorum*, coverage of NGO activities contains little analysis, either positive or negative.

Media coverage at the local and national level varies greatly. Unlike national media, local press shows great interest in NGO activities.

Attempts to distinguish between public service announcements and corporate advertising exist and certain newspapers and other marketing channels provide NGOs with the opportunity to advertise their events, activities and messages either free-of-charge or at a lower price than corporate advertising.

Successful relationships with the government and business sectors are generally the result of personal contacts. In general, the business sector and local and central government officials are ignorant of NGOs and therefore do not consider NGOs a source of expertise or credible information. The attitude of the business sector toward NGOs is occasionally even hostile.

Although most NGOs have limited capacity to communicate with the media, the number of NGOs who are capable and professional in public relations and

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in promoting their public image is growing. A few NGOs have developed relationships with journalists to encourage coverage.

Most NGOs do not have a code of ethics but the sector has set the develop-

ment of a NGO Code of Good Practice as a priority for the coming year. Leading NGOs demonstrate transparency in their operations and communications and most also publish annual reports. More and more NGOs publish these reports on the Internet.